

Supporting the work and mission of the Church of England

The Church Commissioners
Annual Review 2019



The Church
Commissioners
for England



THE CHURCH
OF ENGLAND

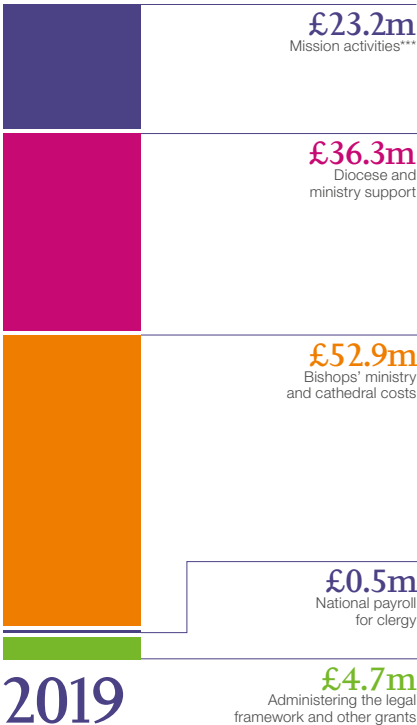
The Church Commissioners at a glance

We manage an £8.7bn investment fund in a responsible and ethical way. Each year we use the returns from our fund to facilitate the Church’s growth, contribute to the common good and reimagine ministry by supporting mission activities, cathedrals, bishops, pensions and dioceses with fewer resources.

8.5% per annum
Total return over 30 years

10%
Total return for 2019

£117.6m
Total charitable expenditure excluding clergy pensions obligation*



2019
£120.1m

* Total cash paid on clergy pensions in 2019
** Total cash paid on clergy pensions in 2018 was £121.2m

8.9% per annum
Total return over 30 years

1.8%
Total return for 2018

£164.4m
Total charitable expenditure excluding clergy pensions obligation**



2018

***The lower expenditure on mission activities in 2019 reflects the approach taken to make more grants under SDF in the early years of the programme to build momentum and hence the decision to hold just one funding round in 2019. These are multi-year grants which are accounted for in full in the year in which the grant is agreed

Welcome

The Church Commissioners exist to support the work and mission of the Church of England today and for future generations, helping it to remain a Christian presence in every community.



The vital contribution of the Church Commissioners towards supporting the mission and ministry of the Church across the country continued throughout 2019, with the Commissioners contributing approximately 15% of the Church's annual running costs. They remain key partners in facilitating the Church's growth and contributing to the common good.

On the investment side of the balance sheet, taking account of environmental, social and governance issues has always been an intrinsic part of being a good investor. The Commissioners have a long-held and clear ambition to be at the forefront of responsible investment.

As we move forward into 2020, we continue to be thankful for the work of the Commissioners and pray that with their support we will see continued growth and new areas of opportunity in proclaiming the good news of Jesus Christ in the world.

Justin Welby
Archbishop of Canterbury

Having fulfilled the role of Secretary since 2003, I am pleased to be handing over to Gareth Mostyn at a time when the Church Commissioners post their 11th successive year of positive returns. Gareth brings exceptional leadership qualities to the position.

In 2019, the Commissioners continued to directly support the Church's mission and ministry goals, with our investment returns enabling grants for mission activities, bishops and cathedrals. Furthermore, approval was given to provide up to £155m of additional investment over the next three years to fund an increase in the number of people coming forward to train for the priesthood and support cathedrals and disadvantaged areas.

I am delighted to have played a part in enabling the vital financial resources required for our 12,500 parishes. I look back and am thankful for the dedication and expertise of the Church Commissioners, and also our staff and partners, each of whom bring their time and talents to contribute to the common good of the Church and the many communities served.

Andrew Brown
Secretary to the Church Commissioners

Mission

The Church Commissioners fund mission in churches, dioceses and cathedrals throughout the Church of England.

The Church Commissioners make funds available to the Archbishops' Council to support projects providing mission and ministry across the country.

Mission projects

Funding of £25.4m was agreed in 2019, designed to support dioceses in developing mission and growth in lower-income communities. Known as Lowest Income Communities Funding, this was awarded to 25 dioceses.

Strategic Development Funding ('SDF') supports major change projects which fit with dioceses' strategic plans and make a significant difference to their mission and financial strength. In 2019, £19.4m was awarded in SDF to 11 projects in 11 dioceses.

Bishops

The Church Commissioners meet the stipends, office and working costs of the archbishops and bishops to support their ministry. In 2019, work continued to prepare for major works to Lambeth Palace to ensure it meets the future needs of the Church and the wider Anglican Communion, as well as being the home of the Archbishop of Canterbury.

Implementation was agreed of a new See House Service Specification, which sets out what bishops, their families and staff can expect in terms of levels of service to maintain their properties. Substantial work was done to the See Houses at Norwich, Hereford and Derby.

Cathedrals

In 2019, £6.4m supported the stipends and pension costs of the dean and two residentiary canons at cathedrals. A further £3.7m in grant funding was provided to fund staff costs at cathedrals with the lowest unrestricted income. This funding frees up cathedral resources and helps facilitate their mission and ministry to their local communities.

A draft new Cathedrals Measure was debated and passed to revision stage at the July General Synod. A further £10m has been allocated to the Cathedral Sustainability Fund to help the transition and incorporation of the new Measure to align Cathedrals with their new charitable status.

Pensions

The Church Commissioners meet the cost of clergy pensions earned in service until the end of 1997, ensuring that those who have served the Church can be secure in their retirement.

Clergy pensions since 1998 are funded by dioceses and managed by the Church of England Pensions Board.



£117.6m

amount given by the Church
Commissioners in 2019

£25.4m

of Lowest Income Communities Funding
was awarded to 25 dioceses

15%

the approximate percentage of the
Church's overall income provided
by the Commissioners each year

Our work in action

“We must create a culture that enables people from different backgrounds to feel part of the Church at every level, including leadership.”

The Rt Revd Guli Francis-Dehqani
Bishop of Loughborough

Leicester

Leicester diocese is establishing six Intercultural Worshipping Communities where people of diverse heritage interact to deepen their understanding and experience of God and of each other.

They learn and grow together to build communities transformed and moulded from each other's experiences, aiming for 900 people of BAME heritage to be active worshippers exploring opportunities in lay or ordained ministry by 2024.

The Rt Revd Martyn Snow, Bishop of Leicester said: “This is a priority for the whole diocese. From its inception in 1926, the diocese has witnessed a radical transformation to the context in which it is called to minister the gospel. Today we serve people from diverse geographic, cultural, religious, and ethnic backgrounds.”

Our work in action

Bradford

A £490,000 fund is to be shared amongst churches in Keighley to revitalise the Church's mission to this area of Bradford, West Yorkshire.

Plans include outreach work in the town centre, a reinvigoration of work with children and families, and a focus on communities on local housing estates.

The money is part of £1.03m from the Strategic Development Fund that will be shared between Keighley and four further 'church-planting churches' in Bradford, following a successful bid by the Diocese of Leeds.

Each church is expected to have an impact beyond their parish boundaries, sharing expertise and resources, and sending people as part of church 'planting and revitalisation' teams.

“This funding will add capacity and help the churches in Keighley reach out and engage with all its communities for the common good.”

The Rt Revd Nick Baines
Bishop of Leeds



Responsible Investment

The Church Commissioners manage a diversified portfolio spread across a broad range of asset classes, consistent with our ethical guidelines.

The Church Commissioners' approach to responsible investment is shaped by the ethical policies we have adopted on the recommendation of the Church of England Ethical Investment Advisory Group ('EIAG') and by our commitment to the UN-backed Principles for Responsible Investment ('PRI').

Our approach involves ethical exclusions; incorporation of environmental, social and governance issues; action on climate change risks and opportunities; engagement and voting; impact monitoring and impact investments.

In our annual assessment in 2019, the Commissioners were rated A+ for Responsible Investment ('RI') Strategy & Governance by PRI and gained A+ ratings for Manager Selection and Appointment & Monitoring for all asset classes. We were rated A for engagement and voting, and for our management of our directly held property assets.

The Commissioners were again recognised in RI awards, winning the IPE ESG award and being included in the PRI Leaders' Group 2019, which showcases signatories at the cutting edge of responsible investment.

17,184

the number of resolutions the Commissioners voted on, at 1,141 meetings, across 50 different markets

32%

the percentage of our interactions with companies relating to climate change

\$18.5tn

the combined assets under management of asset owners and managers backing the Transition Pathway Initiative ('TPI')

106

the number of companies the in-house engagement team engaged with, through 176 interactions

84%

we took a leading role in 84% of our 2019 engagements; in the remainder we collaboratively supported other investors.

Responsible Investment

“The Commissioners’ dedication on climate change has been noted, as we work to encourage companies to align their strategies with the Paris Agreement goals.”

Andrew Brown
Secretary to the Church Commissioners

Climate

The climate change engagement of the Church of England National Investing Bodies (‘NIBs’), including the Commissioners, is guided by the commitments made by the NIBs in a July 2018 General Synod debate on climate change and investment.

The NIBs re-affirmed their commitment to engage urgently and robustly with companies rated poorly by the Transition Pathway Initiative (‘TPI’) and, beginning in 2020, to start to disinvest from those that are not taking seriously their responsibilities to assist with the transition to a low carbon economy.

In a new commitment, the NIBs indicated that by 2023 they would disinvest from fossil fuel companies that they have assessed, drawing on TPI data, as not prepared to align with the goal of the Paris Agreement to restrict the global average temperature rise to well below 2°C.

The Synod motion incorporating these commitments was passed overwhelmingly.

Our work in action

Climate change engagement successes

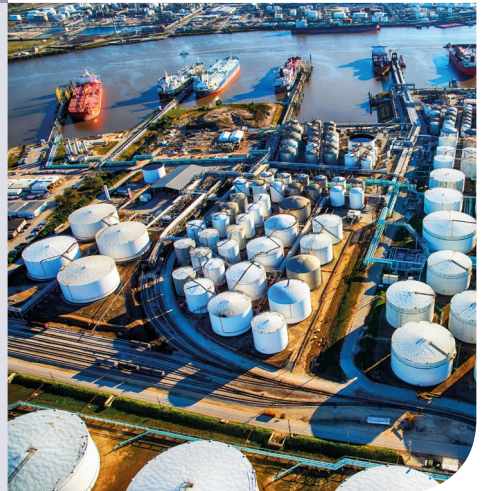
Glencore

As Climate Action 100+ (CA100+) leads, the Commissioners conducted intensive engagement with Glencore at the beginning of 2019, which culminated in February with the Company announcing a new climate change position statement. In it, Glencore committed to cap its coal production capacity at its current levels and to align its future capital expenditure and investments with the goals of the Paris Agreement. The Commissioners relinquished the CA100+ lead later in the year, having ceased to be shareholders in Glencore.



BP

At the same time, Hermes EOS co-led intensive CA100+ engagement with BP, leading to a shareholder resolution, which the Board backed, asking the Company annually to assure investors of the consistency of its capital expenditure with the goals of the Paris Agreement. The resolution passed with 99% support at the Company's Annual General Meeting, which the Commissioners attended.



Our work in action

Using our vote

Prudential plc

Re-election of Nomination Committee Members

At the Annual General Meeting, the percentage of female Directors on Prudential's Board was unacceptably low in comparison with other FTSE 100 companies. We voted against the re-election of Nomination Committee Members and raised our concerns with the Chair of the Board.

We welcomed the appointment of two female Directors in September 2019. We will continue to engage with the Company as we expect FTSE 100 companies to have at least 33% of their board represented by female directors, and these changes left the percentage at only 23%.

Vote: AGAINST

RELX plc

Approve Remuneration Report

Over the years, the Commissioners have not supported the approval of the Company's Remuneration Report and remain concerned about the level of pay. The CEO's salary stands above its peers in terms of index, sector and revenue comparisons.

Our dissent vote also reflected our concern about the lack of disclosure of pay differentials between the CEO and the rest of the workforce.

Vote: AGAINST

Samsung Electronics

Elect Bahk Jae-wan as Outside Director

We withdrew support for the re-election of Bahk Jae-wan as Director because he was an Independent Director when the Company was involved in acts of bribery and embezzlement.

We continue to monitor with our fund managers the Company's approach to anti-bribery and corruption.

Vote: AGAINST



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